TTIP A NEW CHALLENGER FOR UE

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Abstract:

In line with Jean Monnet's functional conception, economic integration still constitutes the core of the European project. Nevertheless, the EU institutions increasingly face old and new challenges: from the Eurozone debt crisis to the structural divides among the member economies, from the position in the international trade flows to the elaboration of common policies in crucial sectors. These challenges address the need to deepen the analysis of the internal and external factors affecting the European economies in order to devise strong and adequate strategies.

In this section, EUE aims to provide valuable and in-depth insights on relevant economic issues that lie at the heart of EU system functioning and implementation. Therefore, we welcome the publication of high-quality reports and analyses.

Key words: economic integration, international trade and legislation, sustainable development.

JEL classification codes: O1, Q0, P3, P33

The **Transatlantic Trade and Investment Partnership (TTIP)** may open a historical new chapter in the U.S.-EU relationship. The broad agreement, currently under bilateral negotiations, goes well beyond the establishment of the world-largest free trade area: TTIP aims to integrate and harmonise the involved economies through the reciprocal liberalisation of trade in goods and services, the removal of non-tariff barriers, and the improvement in rules. Since custom duties are already low between the U.S. and the European markets, **the TTIP's innovative core regards its regulatory component**, which ambitiously looks for setting **global benchmarks**, thus reasserting the Western leadership at the international stage. Indeed, the closer cooperation between the Atlantic edges would result in an expected increase in the global multilateral trade flows.

"European Union Experts – EUE" is an international non-governmental organization, which embraces the former temporary staff from the European Commission and other EU institutions. The headquarter of the association is in Bruxelles. The association has been promoted by the Clenad "Liaison Committee of the Detached National Experts" on May 2001 and officially registered on April 2005. Clenad is the official network constituted by the European Commission that represents the public officials of the Members States Countries seconded in the European Institution for a temporary period.

General objectives of the organization are:

-promote European ideas and integration;

-keep the contacts between former EU experts for crossover discussions in different fields and via regular meetings;

-exchange views for the introduction of European projects in Member States.

The Association uses the experience gained by its members in the European institutions and public bodies to promote the ideals of European integration in societies, national administrations, institutions and organizations.

The **main activities** of the European Union Experts are the following:

-transfer of best practices among EU Member States;

-o inform trough the Association's website;

-preparation and distribution of electronic bulletins;

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-promote assistance through the EUE members to NGOs, Public Organizations, single experts and private companies for the preparation of projects under the Structural Funds, Community and Technical Assistance Programs;

-participation to European initiatives relating the scope of the Association.

-organization of seminars and conferences;

An often-cited independent study estimates that economic activity in the European Union and in the Unites States might be raising, respectively, by €119 billion and €95 billion a year – in other words, a **0.4-0.5% growth in GDP**. In addition, the TTIP's spillover effects would also increase global income by almost €100 billion [1]. According to this source, "as much as 80% of the total potential gains come from cutting costs imposed by bureaucracy and regulations, as well as from liberalizing trade in services and public procurement".

Nevertheless, after seven rounds of negotiations, very little is known about the agreement's actual impact on the European societies. Notwithstanding the mutual benefits in trade liberalization and productivity, many concerns have been emerged regarding the definition of a common regulatory framework. Due to the undeniable cultural and normative differences between the two sides at the bargaining table and within the European Union itself, **TTIP's critics condemn a potential lowering in standards, particularly over labour rights as well as in the food, environmental and chemicals sectors**. Bureaucratic hurdles undoubtedly inhibit economic growth, but the attempt to unify divergent approaches could lead to damaging distortions in health and safety regulations.

From this perspective, the sounding **declassification of the EU negotiation mandate** does not clarify the terms under discussion [2]. The directives released by the European institutions declare the respect of the existing international legislation – specifically the WTO commitments – and the promotion of "high levels of protection for the environment, labour and consumers, consistent with the EU acquis and Member States' legislation" (par. 8). The provision is later strengthened by affirming that the "regulatory compatibility shall be without prejudice to the right to regulate in accordance with the level of health, safety, consumer, labour and environmental protection and cultural diversity that each side deems appropriate" (par. 25).

Below these generic statements, a crucial question remains open: **how to effectively harmonise or overcome distant liberal traditions, which lay down different social paradigms, into a comprehensive economic mechanism?** From this point of view, it is necessary to consider that private-public relations are quite contrasting between the United States and the Old Europe – where, as an example, the former emphasizes the assertive role of private investments in bolstering the economic growth, while the latter encourages a much stronger state intervention in order to support welfare systems. Moreover, deep distinctions exist among the European economies themselves – as illustrated by Esping-Andersen's welfare state typologies [3]. Finally, the plurality of government levels (both in the U.S. federal structure and in the EU stratified system) is not a side issue.

It is a matter of fact that sharing of regulatory practices does not imply the enforcement of an identical legislation, but **the wide reach of the agreement demands attention to how develop a greater regulatory compatibility without compromising social and institutional balances**. In this sense, TTIP's scope (industrial goods, agricultural products, services, investment, procurement, protection of intellectual property rights, capital movements and payments) feeds oppositions against the risks of its envisioned outcome (from the lowering of labor rights and wages to interference in the treatment of personal data). The TTIP Advisory Group reports that the negotiation sessions aim to "build bridges between the two sides rather than changing their existing systems" [4], but the safeguard clauses frequently added in the EU documentation are not sufficient to devise the transition to a common framework.

As an example, discussions on the **sanitary and phyto-sanitary standards (SPS)** are expressly bound to the related WTO obligations, but so far the EU State Members and the United States have transposed the Codex Alimentarius standards – which constitute the basic term of reference of national legislations to guarantee safety, quality and fairness of food production and trade – in different ways. As regards **chemicals**, the two counterparts recognize the authority of distinct procedures and the EU delegation, backed by the European companies, has repeatedly excluded

REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) from the bargaining arguments.

The debate is presently focused on the application of the so-called **"precautionary principle"**. Enunciated by the art. 191 of the Treaty on the Functioning of the EU, the principle enables preventive measures when scientific data do not fully evaluate risks connected to a determined product, action or policy. While the European institutions strictly adopt this parameter, in the context of risks management the United States traditionally privileges a cost-benefit approach that results in loose restrictions. Within the European boundaries mass media have drawn attention to the American use of pesticides, GMOs, hormones and hazardous techniques such as the hydraulic fracturing. Simply put, a European product has to be proven safe before its commercialization, whereas in the Unites States it is necessary to prove that a product is unsafe in order to remove it from market. Although many analysts warn that real differences are less pronounced, the precautionary principle is a controversial issue and influences what each delegation considers negotiable or non-negotiable.

In brief, **the complexity of the required technical arrangements might hide profound and uncertain political implications**. At the moment it is not possible to evaluate whether the agreement will affect the internal competition and sovereignty in the EU State Members. TTIP might be an opportunity "to reduce unnecessary costs and administrative delays stemming from regulation", as underlined by the EU Commission. However, the lack of transparency that has clouded the negotiation rounds worsens the concern that the tug-of-war between the U.S.-EU delegations might end in a downward compromise for one of the two sides. Following this assumption, the Washington political leverage and the strength of U.S. corporations is going to open a gap in the European economies, threatening the sovereign autonomy of every Member State.

On the contrary, **the institutional framework envisaged by the EU institutions introduces several cooperation and control mechanisms** (e.g. a consultation procedure, a permanent regulatory committee, a dispute resolution process). Nevertheless, in spite of the publication of a position paper for all the interested areas, a **serious communication deficit**, between the European institutions on one hand and stakeholders and citizens on the other, still persists. After the official request sent by the European Ombudsman Emily O'Reilly in the past July [5], Brussels has undertaken initiatives to open a dialogue with representatives of the civic society. This effort, among other things, led to the releasing of the negotiation directives. Still, the TTIP's importance is not corresponded by an adequate involvement of the national and sub-national levels. In short, **TTIP's negotiation appears to be a top-down process**. Therefore, the UE institutions should engage an **inclusive approach** in order to meet a larger consensus on a controversial agreement; otherwise, Brussels will be perceived again as a technocratic bureaucracy with no democratic endorsement from the European societies.

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